

Detroit Press Conference Transcript

June 20, 2023

Rep. Gallagher: Well, thank you all for being here. And I want to thank the other members of the Select Committee on the Chinese Communist Party. Ranking member Raja Krishnamoorthi, Congresswoman from Michigan, Haley Stevens, another congressman from Michigan, John Moolenaar.

Thank you both for your hospitality and your fine state. We're here today because we know that American workers and American companies are on the front lines of this competition with the Chinese Communist Party. And in some ways, nobody's been hit harder by the predatory practices of the CCP than hardworking men and women in the industrial Midwest. And for too long, we've ignored the CCP's blatant violation of trade agreements, intellectual property theft, it's economic coercion that disadvantages American workers and does not allow us to compete on a level playing field.

So today we came to Detroit to meet with Ford and GM, two American made titans of the automotive industry and a number of auto suppliers to grapple with this question of how can we put American workers on a level playing field where they can compete?

And I believe that if they have a level playing field, they can outcompete and outwork anybody. Anybody. And we can work more closely with our allies to push back against the CCP's predatory economic practices. I think it's interesting to step back and recognize how we got into this situation where China has such a dominant position in certain battery technologies and in certain chemistry involved in making batteries for electric vehicles.

It's actually a classic story that I think is a microcosm of our broader economic relationship with China and why this committee was created. This is American technology that was created in American universities and then commercialized by an American company that received federal and state subsidies. And then when it went bankrupt, it was purchased by a Chinese company and a purchase that was approved by the Committee on Foreign Investment in the United States.

And our inability to recognize the strategic importance of that industry and that company at the time now put us in a position where we're trying to catch up. So we as the Select Committee on the CCP, are going to try and identify what are the bipartisan steps we can take in order to make sure that for the next generation of technologies and as you

know, companies invest in electric vehicles or whatever, the technology of the future is that American companies can be in a dominant position, that American workers can compete on a level playing field, and that at the end of the day, we reduce our economic dependence on the Chinese Communist Party and in key areas reclaim our economic independence. So with that, I'll turn it over to my ranking member, Raja Krishnamoorthi

Rep. Krishnamoorthi: Well, thank you, Chairman Mike, and thank you to Haley and John for hosting us today. And it was a wonderful day. And in the Detroit area, I'll echo a lot of what Mike said and just add that I think that there are bipartisan solutions that our committee is going to suggest and put forward to help to establish an American supply chain in critical industries of the future, including in battery manufacturing, which is absolutely essential for the automotive industry going forward.

And so we discussed some very interesting approaches here. You know, for instance, the R&D tax credit has problems right now. We also learned that there's not reciprocity in laws in terms of how autonomous vehicles are treated in China versus in the United States, putting us on an unlevel playing field. We also learned about kinds of other issues that hamper our development here, which we need to address.

So I think that we can come out of today's meetings - an excellent set of meetings with some bipartisan suggestions on moving forward. And I really look forward to working with my members here and colleagues in Washington to try to not repeat the mistakes of the past and establish successes for the future.

Rep. Stevens: It's very clear that one of the showcases and the pride and joy of not only the state of Michigan, but of this country, is our auto industry.

And it's not just our big three. It is also our very robust and competitive supply chain that is innovating here in the state of Michigan, is producing here in the state of Michigan and producing all our and selling excuse me, all over the world. And as we broach this topic of how to compete effectively in an ever changing global marketplace, and particularly with the adversarial Chinese Communist Party, we have got to be thinking about the needs of our auto industries, both large and small.

We salute the hardworking men and women who are in those factories who are doing the work and making those products. And we are competing and innovating as a global player platform with autonomous vehicle technology, electric vehicle batteries. And we are in a race for access to minerals and key materials that are going into our auto

industry. And we're also here on the heels of a very robust set of years under two presidential administrations, one that saw us renegotiate and pass the USMCA strengthening American content right here in Michigan for our auto workers and our auto manufacturers, as well as passing some very considerable bipartisan legislation to bolster domestic manufacturing here in the United States of America. And so as we look back not to finger point, but as we look forward to take hold of opportunities to win the future, to show that open capitalist democracies will succeed, will continue to succeed and we will continue to win the innovation race.

We're going to take the lessons learned. And it was great to show off with our chairman and our ranking member here today, two great Midwesterners. But look, Detroit is made up so that we can get the job done. Thank you so much.

Rep. Moolenaar: It's a tough act to follow here. But, you know, I can't thank enough the business leaders that we met today. They were very candid and open with helping us understand their situation, competing in a global economy and making sure they're meeting their customer needs and desires. A few things stuck out to me. First, our American workers, our Michigan workers can compete with anybody, but we want to make sure there's a level playing field.

And that was very apparent where we need to be mindful of the barriers that China puts up, the Chinese Communist Party, and make sure that we are not putting our workers, our businesses at a disadvantage. And quite frankly, it's been happening for a number of years. Secondly, a number of our policies need to be reconsidered and strengthened.

One would be to allow more mining and processing of materials, as I mentioned earlier, that if we're going to compete, we need to have access to those materials, whether it's from friendly countries or here in the United States. And that's something - we are an innovative country - We have tremendous resources, and we can do it in a smart way.

Finally, I would just say that, you know, some of the policies with respect to environmental concerns, the EPA had set some ambitious goals. And while those goals may be good aspirations, they're also having very real world consequences of how the automotive industry has to work very quickly to adjust to those regulations. And quite frankly, it actually enables China's strength in the automotive area with respect to battery technology. And so it's something where I think it's important that we look at a glide path that gives our companies time to adapt. Time to innovate. We're the best innovators on the planet and make sure that we're not putting our jobs and providers at a disadvantage with respect to regulatory policy. So with that, thank you.

Rep. Gallagher: I think we'll take questions if there are any. I should note we have three of the four NFC North teams represented here today. In the absence of the Vikings is conspicuous.

The parties have no Super Bowls in their entire history, so they are pretenders. Questions.

Journalist: . Thanks for doing this. In regards to the conversations with Jim Farley. What concerns were brought up about the CATL-Ford deal and how did he respond?

Rep. Gallagher: Well, I'm not going to speak for Ford or Mr. Farley. He can describe his view. I guess my concerns broadly are allowing any Chinese company to become the dominant player in a critical technology, whether it's battery or automotive. And I say that because time and again we've seen the CCP really prove that there is no such thing as a private company in China, as well as use the leverage that they have in order to coerce A foreign power.

So I think what we're trying to figure out in a bipartisan fashion is that for any American company that's looking to invest domestically in battery technology or processing, how do we make sure that they have a wide array of choices within the free world that they can choose from going forward so that in the future they're not subject to any Ccp, coercion or leverage.

That's my concern. I'm not speaking for the committee. I'm not going to speak for Mr. Farley. But I do very much appreciate our ability to have a candid conversation. And I recognize that these companies are making difficult decisions every day about how to survive, how to compete, how to provide the lowest cost, highest quality option to their consumers.

So all of my colleagues on the other side of the aisle step in, if I mischaracterize something.

Rep. Krishnamoorthi: I was just going to say that one thing that really kind of jumped out for me and in our conversations with the Ford leadership team is that they are going to be dogged in winning the competition worldwide, in selling the best, most innovative electric vehicles.

And that means taking different strategies. That also means betting on different technologies and working with different companies around the world. I think that the other thing that just leapt out at me is that we in government can do more to make sure

there's a level playing field, even as our, you know, businesses and others are trying to compete.

So, for instance, in the battery space, you know, it's obvious right now that China has a choke hold with regard to certain key elements of the battery supply chain. They control 90% of the processing of critical minerals. Think about that. Even minerals that are mined in the United States are sent to China to be processed. And then to be brought back to be inserted into batteries.

How did this happen? We can't let this problem fester. And so we have to kind of come up with some innovative solutions here. Otherwise, we know that the CCP will use this as a source of leverage against us or our friends or partners or allies, and there's just no way we can. We don't want that to occur.

Journalist: I have a question...

Michigan has some pretty robust environmental goals, leading up to 2050. I believe one of them is, I think one third of electric vehicles on roadways - what are some of these solutions that can keep up with some of the environmental goals Michigan has? If we delay or find new solutions for this battery problem you guys are talking about?

Rep. Stevens: Yeah. So as we all know, we're at an incredible inflection point in the automotive industry. I've walked up this doing chart of the 21st century. You know, a handful years ago we recognized 50 years since the moon landing. And I go off to Congress and serve with people who represent every zip code across this country. And I say to them that the moonshot of the 21st century is happening in the place that we call home.

Now, the environmental considerations as it pertains to our automotive industry and where President Biden has been focused and laws that have been passed to help us achieve an electric vehicle future are one piece of the puzzle. The other piece is where the rest of the world is going. You know, you get half the vehicles now and EVs being made by the Chinese.

They're now the number one exporter in the world of cars writ large, not just EVs. So there's a competition that we are in. And I say it's aggressive because in it, for those who wake up every day in this industry, that's exactly what it is. They are at the plants and they're producing their vehicles. And, you know, there's obviously the consumer demand and we're seeing that from the next generation.

But it's also a global demand - and something as a lawmaker from Michigan that I have heard over the years, that I've had the privilege of serving in Congress on behalf of Oakland County, is that the world is demanding electric vehicles. And so the R&D for batteries, the R&D for hydrogen as well, we can say net zero, because it's not just EVs, although the battery manufacturing production is really quite extensive and has captured a lot of attention - is certainly a piece of that puzzle here.

But also what we're going to do with hydrogen. And we are moving particularly with the bipartisan infrastructure law that created these hydrogen hubs. So, you know, in terms of where Michigan is, where the country is, and where the goal is, we want to win the future and we're going to win it by manufacturing, in my opinion.

And I'm speaking for Haley Stephens right now. But we're going to win it by manufacturing those innovative goods.

Rep. Gallagher: So can I make a process point about how the committee works or how we're trying to make the committee work? I mean, we recognize that we're not going to agree on everything, right? I mean, we have different views about the CHIPS Act, about the IRA, about industrial policy.

But notwithstanding that, we do trips like this and we kind of jump right into a complex problem, like how do you wean yourself off with an economic dependency from China? How do you balance environmental concerns with, you know, wanting to win economically in order to identify, okay, what are the areas where a divided government can still get stuff done?

So as my ranking member alluded to earlier, one take away from today, I think and a no brainer is insisting on autonomous vehicle reciprocity with China. Why is it that three of the seven autonomous vehicles being tested in America are Chinese companies when we have no access to the Chinese market when it comes to EVs? And if you consider EVs not only as Raja has repeatedly pointed out, sort of the first wide scale deployment of an AI technology of that level, but also as a collection platform for all sorts of data.

It's critical, absolutely critical, that we get that right. So our only takeaway from this trip is that we can get behind a bipartisan framework for EV reciprocity and get it passed in a divided government. That's a big deal right there. So and then we're going to see, is there something we can do together on sensible permanent reform that still has respect for the environment?

I think another area of broad agreement is on enhancing— because all these companies, if they're going to expand their production domestically — are going to need more workers. And in my state and my district, you ask every business and I'm sure the same

is true here in Michigan, what their biggest concern is, it's workforce concern. So how do we elevate the role of apprenticeships and incentivize kids to go right into the workforce out of high school?

I think that's an area of broad bipartisan consensus. I only bring that up to say there are certainly areas where, you know, half a day in Detroit is not going to produce Kumbaya, But I think I'm leaving this trip thinking there are at least three or four proposals that we can work on together going forward.

Journalist: Actually, I'm so sorry. On that Kumbaya comment. I was wondering if there was any. Was there any comment around you found today or did the leaders of GM any more than anything that kind of laid to rest new fears?

Rep. Krishnamoorthi: Common ground between GM and Ford?

Journalist: Yeah, some of the prior concerns, some members. Yeah. And with the projects notably.

Rep. Stevens: Yeah, it was learning. We were here to learn. We've done this all over the country, right? We've got, we've gone to Silicon Valley. This is just part of the oversight exercise. But if you want to know.

Rep. Krishnamoorthi: So I'm sorry. One, I think an open question from some of the leadership, like what are our intentions as a committee? Like, what do we want to do? What is it that we're trying to bring about? And I think there is a concern that private sector leaders, private sector employers, small businesses aren't getting enough input from Washington as to what to do going forward.

And so, you know, just as an example, you know, they're worried about violations. They worry, but they're concerned that we might do something in Washington that might end up hurting them rather than helping them. And so I think part of today is, you know, beginning the dialog to understand what their concerns are, try to address them. I think there's always a concern, quite frankly, that we're going to completely divorce ourself from China, that we're going to decouple completely.

That question keeps coming up over and over again. And as we know only too well, our relationship is complicated. It's extremely complicated. And it's, you know, even though there are extensive tariffs that have been in place by President Trump and then President Biden, interestingly enough, our two way trade is at an all time high, you know, with the PRC.

I mean, it's remarkable. And so that just goes to show that we are very much intertwined, but that doesn't mean that we can't derisk or create insurance policies on

supply chains and certainly creates an American supply chain where we can win the economic race.

Rep. Gallagher: And I think one thing we heard from these companies is that greater predictability from Washington, D.C. would help.

In some ways, it echoes some of the conversations we've had with Wall Street, which is, you know, obviously has less of a hawkish position on China than, let's say than I do, but is willing to comply with selective, selective decoupling as long as there's a glide path to the transition and as long as we're not swinging wildly back and forth between different administrations and different executive orders, all the more reason why a committee like this in Congress needs to step up and Article 1 needs to take the lead on some of this stuff so we can provide that predictability over the long term, because I think it's the uncertainty that creates a lot of problems for people in the business world.

Journalist: One follow up to your point in what you heard today from your conversation with Jim Farley. Does that allay your concerns about the forward CATL plan or do you still have information that you're looking to gather? And details are?

Rep. Gallagher: Well, I would say this was the first conversation of what I hope will be many. I still think we're trying to figure out what is the best path forward where American companies can onshore the production of critical technology, how we can solve some of the problems we have when it comes to critical minerals and rare earth processing. And right now I have not. And without relying on Chinese companies. And right now I don't have a silver bullet solution to that.

So I'm hoping to continue the conversation and arrive at a solution that balances the national security risk with the economic imperatives these companies face on a day to day.

I know you are going to try and get me to say something that Jim Farley said to me.

Journalist: You had mentioned the technology that was developed by U.S. company at a university. Are you talking about a121 systems? Yeah, I believe the initial scientific discovery was made at the University of Texas and then it was developed further at MIT and then commercialized by A123 and that it faced bankruptcy. It was purchased by a Chinese company, and that purchase was approved by the CFIUS process under the direction of Dennis Blair at the time.

You know, one thing we've struggled with in recent years is the CFIUS process. And whether it's doing what it's been intended to do about three or four years ago, we actually revised the Committee on Foreign Investment in the United States. We gave it

the authority, for example, to scrutinize land purchases near military bases. Those are still happening.

It's a very controversial issue right now. So one question we're grappling with is whether CFIUS has the appropriate directive legislatively from Congress as well as the appropriate resources to scrutinize purchases that may disadvantage us from a national security perspective.

Journalist: And then on the autonomous vehicle reciprocity framework, Yeah. Do you have details that you can point me to? Or maybe there's a thumbnail sort of description that you might be able to provide with that?

Rep. Stevens: Well, there's a bill in energy and commerce. It's talking about lifting the cap that Congressman Lodha and Dingell have worked on. What the chairman's talking about that I agree with is why in God's name, Chinese owned companies coming here to test autonomous vehicle technology. We appear to have just one exclusive American autonomous vehicle company - Cruise.

Cruise can't go test in China. They're not allowed in. Something in our structure is saying, well, that's okay. And at the same time, we've got a cap so we can only produce 2500 autonomous vehicles in this country at a time. And we're kind of capping ourselves at the knees as a result. And so we don't have direct lawmaking ability through our committee.

Lawmaking goes on in the permanent committees. We're a select committee. But there's a recommendation that the chairman's talking about that I happen to agree with that we got to lift the cap and deal with this reciprocity situation because that is perpetuating old, old situations that have disadvantage not only in the American economy, but the American worker. Right. And if you hear what our employees are talking about, particularly General Motors, you know, we're trying to get to a place where we don't have rising auto fatalities.

And the fact that we will just have maybe zero fatalities and that's where that technology comes into play, whether it's all totally driverless and all of this that goes on with that, we'll continue to reckon with that. But we need to be producing and testing and dominating in these technology sectors writ large, and we get to have the rules of the road rules in place that don't allow folks that don't share our interests to eat our lunch.

Journalist: But it's applicable to other JVs and partnerships as well. So is there a sense then that these Chinese companies are going to join up with an automaker and keep their technology to themselves and not share it with the automaker? And that is not going to be a collaborative learning environment for it to work?

Rep. Gallagher: Yeah, my understanding of the deal is that you're licensing access to the technology. You don't wind up at the end of it with control,

Rep. Krishnamoorthi: But you do learn. I mean, here's the thing, which is very interesting. I think that for years American companies went to China and they were basically forced to share their technology with local manufacturers. Those manufacturers learned that technology and then they said bye bye to the American companies. And so what's going to be interesting is kind of that interplay in reverse and how, you know, American companies, they may end up, you know, innovating on top of technology that they've learned from, you know, companies of their own and then they independently establish themselves and become forces in their own right.

By the way, I just want to go back to something on the AV thing, just the you know, the reason why the CCP will not allow an American car or car company to go and test its autonomous vehicles. Do you know why? It's because they don't want us to map their areas and to have the sensor equipment and the cameras and everything else that they think would quote unquote violate their national security.

And so why is it that it's okay to do that here but not there? And this type of issue comes up over and over and over again, whether it's in the digital media space where our apps, our companies are not allowed to operate in China, whereas they are allowed to operate here, you see this in autonomous vehicles, you see this in other areas.

This is just a general reciprocity problem, which I think this committee is going to probably identify in several different areas.

Rep. Gallagher: I think the risk is I mean, if CATL has 34% market share for electric technology, I'm in the ballpark. All right. Let's just and if we were to say, well, it's going to be hard to catch up, does that then allow them to dominate the next generation of technology, which we need to learn the lessons of how we that we disadvantaged American companies over the last two decades in order to make sure that we win the subsequent rounds of this competition?

That's what we're grappling with right now. We do have, we know, some very innovative American companies that are playing in this space and both in improving existing technology, experimenting with new technology. And I think if you get the right set of partnerships between major automotive companies, these next generation battery technology companies and state and local and federal partners, I think it could be an exciting time.

Journalist - Do you get any sense that Beijing is reticent about deploying its technology in that joint venture with me? So there's concerns that, you know, Chinese, Chinese companies, companies coming to Michigan and to take market share and such. Is there a concern then from Beijing that this technology is going to be taken from the Far East?

Rep. Gallagher: And, you know, my honest answer is, I don't know. I haven't seen any evidence that the CCP is concerned about that. I assume they feel pretty good about their ability to compete right now, but I don't know if anyone else has.

Rep. Krishnamoorthi: I only saw what was published, which is I think that they're making noises about this type of stuff, but it's not clear whether it's a bargaining ploy or whether it's sincere.

Rep. Gallagher: Yeah, I think there's no question they want to dominate the automotive industry globally and beat American companies and then use that to control the commanding heights of that technology in order to expand their influence across the board. I don't think that's really debatable at this point. All the more reason why we need to figure out a way to work together to put American companies again on a level playing field so that that doesn't happen.

Journalist: I have a question from the Detroit News - the Alliance for Automotive Innovation said last week that the Biden administration EPA's proposed emission rules would be so stringent they'd open up the door for China to gain a foothold in the US electric vehicle market because they'd have to turn to Chinese suppliers to meet the requirements so quickly.

What do you make of that assertion? Is it possible for auto makers to aggressively transition to EVs use without using the Chinese supply chains? Similar to a previous question that I had.

Rep. Gallagher:, I mean, we talked about that today. I think beginning the transition is difficult. One thing we heard was the importance of not getting ahead of the demand from the consumer that's out there. And so I think we'll continue to wrestle with that problem going forward.

Rep. Krishnamoorthi: Interestingly, what the chairman said is correct, but we also heard that they are fully getting ready for a lot of these very ambitious targets, in part because that's where the market is in Europe, that's where the market is in other countries.

And so, you know, getting into a position where they can take advantage of that and assume that sooner rather than later is going to be an imperative. Now, they might have

different, I guess, opinions about the path to that goal by 2035 or 2030. But it seems like they're not questioning the fundamental issue that the car market is changing dramatically and what they call ice - internal combustion engines. The ice market is slowly - it's going to change. And we're kind of entering a new era in car technology worldwide.

Rep. Moolenaar: Yeah, Yeah, I, I would agree with that assessment and the I, I think any time you have the government driving change in a way that isn't really consumer driven but rather government policy driven, whether it's subsidies or environmental regulations to that degree, which is eliminating certain products from the market and only, you know, encouraging others, it creates an artificial situation.

And I do think one of the reasons our automotive companies are leasing technology from China and building, you know, a business plan based on materials that China is dominating is because there's this urgency that is created more by the government forcing them in that direction. I think there's two drivers. One is some of these government mandates and the other is when people buy electric vehicles, their first one that tends to create brand loyalty.

So those two urgencies are the EPA driven urgencies as well as sort of that brand loyalty— are what is driving the urgency right now. In my view, it'd be better to allow Michigan businesses, American companies to innovate based on customer demand and do it in a way where they were making appropriate changes. You know, technology changes innovation and meets environmental goals that are based on science rather than on a number that's pulled out of the air with aspirational goals.

Rep. Gallagher: So as chairman, I suspect this is going to be one of the issues that sort of the overall EPA transition plan, as well as the broader government intervention in the automotive industry will be filed in the agree to disagree bucket. And then we will still work on the areas where we can work together.